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SENSITIVE

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SUBJECT: THE BUSINESS OF EDUCATION HITS ROADBLOCKS IN VICTORIA

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Summary

1. (SBU) The international education sector is Australia's third largest export, behind only iron ore and coal. In Victoria, providing higher and vocational education to foreign students is the state's largest export, worth approximately A\$4.5/US\$3.6 billion each year. The GOA is actively seeking to wean its economy off of its dependence on commodities, and the knowledge based sector of international education is often held up as an enviable supplement. The "business of education," however, has hit obstacles in Victoria such as a perceived tradeoff between higher education quality and the number of foreign students, student integration and fraudulent vocational schools. End Summary.

Not on the Same Page

2. (SBU) International students are immensely important to the Australian economy, bringing in approximately A\$26.7/US\$21.4 billion each year. One study suggests that every four international students create one job in Australia, due to fees and peripheral spending. The GOA, including the recently promoted Parliamentary Secretary for Innovation and Industry Richard Marles, actively encourages international students to come to Australia to study, and wants the industry to grow. Vocational schools also share these sentiments. This is at odds, however, with what we heard from the universities, who instead of increasing international student enrollment would like to become less dependent on it. University administrators instead highlight the need for more government assistance. (Comment: There are very few private universities in Australia. The GOA heavily supports public universities already and it may be difficult for the universities to successfully lobby for additional funding. End comment.)

Breakdown of Students

3. (U) According to the Victorian government, the number of students coming to Victoria has doubled over the past five years. In 2008, there were close to 162,000 international students studying in the state, comprising roughly 33 percent of the 494,000 total international students in Australia. By contrast, in 1987, Australia had only 667 international students. In South Australia, there are 25,000 foreign students, representing five percent of Australia's overseas student population. In Victoria, Chinese and Indian students make up half (approximately 30 and 20 percent respectively) of the total overseas student body. South Koreans, Malaysians, Thais, and Indonesians also represent significant shares of international student enrollment. The national breakdown of

international students is 27.2 percent Chinese, 13.3 percent Indian, 7.9 percent South Korean, 5.5 percent Malaysian, 4.1 percent Thai, and 4 percent Indonesian. Indian and Chinese students are experiencing the largest growth rates of any national group.

Lack of Integration - A Growing Problem

14. (SBU) A growing challenge facing this industry is the ability of foreign students to integrate into Australian society. Despite Victoria's oft-touted status as a multicultural paragon, problems persist. According to contacts within Melbourne's universities and the Victorian government, a lack of student accommodation is the primary culprit. Unlike their U.S. counterparts, Australian universities seldom provide on-campus housing to their students, reducing the likelihood that students from different socio/cultural background will choose to live together. This includes both major universities and vocational educational training (VET) schools.

15. (SBU) The recent protests by Indian students in Melbourne (reftel) highlight the negative impacts of this failure to integrate. The Victorian government fears that these protests may lead some countries to conclude that Australia is an unsafe place to send their students to study and may damage revenues. Advisors in the office of Jacinta Allan, Victorian Minister for Skills and Workplace Participation, recognize that a lack of student housing contributes to integration troubles, but have not yet found a solution. In addition, prestigious universities such as the Royal Melbourne Institute of Technology (RMIT) and Melbourne University have placed a high priority on improving student accommodation, but lack the resources to act.

Predatory Vocational Schools?

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16. (SBU) Education "exports" in Australia are divided into secondary, vocational and tertiary schools/universities. Secondary education plays only a minor role in the "business of education" in Victoria; approximately 8,000 foreign students are enrolled in Victorian secondary schools. Vocational schools provide degrees in fields like hairdressing, hospitality and pastry-making. Increasingly, questions surrounding the bona fides of a number of Australia's vocational programs are being raised. In recent days, police have called into question a number of VET schools' credentials and the GOA is under growing pressure to crack down on predatory vocational schools that misrepresent themselves to foreign students. A recent audit by the GOA revealed 17 "high-risk" colleges that are in danger of forced closure. The Victorian government has also formed an Overseas Student Education Experience Taskforce to identify shortcomings and to assist foreign students displaced by school closures.

A Question of Funding

17. (SBU) Recent student protests and the potential for the global slowdown to decrease international student enrollment in future years highlights the need for income diversification in the higher education sector. In conversations with Melbourne's major universities, administrators highlighted the need to become less dependent on international student numbers. RMIT's international office told post that it would prefer to have fewer foreign students, and instead focus on the quality of education it delivers to these students. Melbourne University's Director of International Programs, Karen Gould told post that foreign students comprise 28 percent of enrollment and that the University's leadership considers this to be an ideal percentage. Universities here posit a connection between very high numbers of foreign students and an erosion of students' experiences.

18. (SBU) Both Melbourne University and RMIT are looking to increase alumni fundraising in order to reduce their dependence on foreign student fees. According to Chris Nyland, Professor of International Business at Monash University, these schools have tried to build

alumni donations for the better part of a decade, with little progress. In addition to an inability to tap alumni funds, Victorian universities look longingly at the U.S. model with its propensity to access business money and corporate connections. Until universities and schools can diversify their fundraising capability, they will remain dependent on the lucrative international student market. As one contact told Consul General, "Foreign students' fees are subsidizing Australian students."

Comment

19. (SBU) The GOA is keenly aware of its dependence on commodities exports. It sees strengthening its knowledge-based economy as a way out of the "iron-age." In Victoria, however, higher education exports have hit a ceiling. University administrators are increasingly worried that student numbers have grown beyond their ability to adequately monitor the quality of their students' experience and vocational schools are coming under increasing fire for fraud. While Australia has a substantial edge in the "business of education," significant roadblocks such as student accommodation, integration and long-term funding will limit the capacity of this sector to supplement commodity revenues.

THURSTON